GOWLING WLG

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VIA RESS AND COURIER

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Ms. Christine E. Long
Registrar & Board Secretary
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
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Dear Ms. Long:

Re: EB-2018-0264 – EPCOR Natural Gas Limited Partnership (EPCOR) Southern Bruce Rate Application.

EPCOR Reply Argument.

In its Reply Argument herein recently filed EPCOR includes the following statement (paragraph 86) impugning our Final Argument on behalf of IGUA:

> *In its submission, IGUA also highlights concerns regarding the process used to allocate the costs of certain assets, including pressure regulating and metering stations and the plastic distribution mains. The allocation study was included in Exhibit 7 of the pre-filed evidence and IGUA has had ample opportunity to request additional evidence regarding these items but chose not to. EPCOR asserts that IGUA should not now be able to use its lack of understanding regarding the allocation of these assets, to propose that the allocation process be modified.*

This statement appears to be in reference to the following section of our Final Argument on behalf of IGUA (paragraphs 32 and 33 – emphasis in original):

> *For example, the basis for including in Rate 16 cost allocations costs of the NPS 6 inch pipeline from Bruce Energy Centre to Kincardine but not of any further downstream pipeline has not been explained. Nor, as another example, has the judgement to not include the downstream plastic distribution main but to include costs from <u>all</u> downstream regulating and metering stations.*
>
> *It appears to us that these allocations of costs from assets downstream of the distribution main to which Rate 16 customers are directly connected but which do not appear to support service to them is contrary to EPCOR's evidence that its South Bruce cost allocation model*

takes into account the unique South Bruce distribution system configuration, and in particular "how each rate class uses the distribution system".

As cited in our argument, the information in these passages comes from one of the several interrogatories that we asked regarding EPCOR's pre-filed cost allocation presentation. Prior to receipt of that interrogatory response, information on the allocation of the subject asset classes to the 4 proposed rate classes was not on the record, and thus obviously could not be further explored.

EPCOR also includes in its Reply Argument additional detailed information (not referenced to the record) on its system configuration (paragraph 80) and presents an "in the alternative" argument regarding cost allocation based on this additional information (paragraph 84), the implications of which alternative have not been addressed and are unknown.

On September 17th we filed a letter requesting an oral hearing on the basis, *inter alia*, that though EPCOR had provided information in interrogatory responses on costs allocated, that information gives rise to a number of questions regarding the judgement applied in determining such allocations, as compared to other potential allocations (page 2 of our letter, 3rd full paragraph).

On September 25th EPCOR wrote a letter in response to ours in which it asserted that there was sufficient information on the record and objected to our request for an oral hearing.

Having objected to our request for an oral hearing in order to enhance the record, including in respect of the details of EPCOR's cost allocations, while it is perfectly legitimate for EPCOR to argue against the substance of IGUA's submissions it is not appropriate for EPCOR to chastise us for a lack of understanding of these details on the basis that *"IGUA has had ample opportunity to request additional evidence regarding these items but chose not to"*. This assertion is obviously incorrect, and is particularly inappropriate given that EPCOR argued against such an opportunity when it was requested by us on behalf of IGUA. Nor is it appropriate for EPCOR to now introduce an "in the alternative" argument the rate implications of which are unknown and undisclosed.

Yours truly,

Ian A. Mondrow

c: B. Brandell (EPCOR)
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